

January 18, 2006

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

**Re: Ex Parte Communication
WC Docket Nos. 96-45, 01-92, 05-68**

Dear Ms. Dortch:

Pursuant to 47 CFR § 1.1206(b), this letter is to report that Ely Tendler, Chief Legal Officer of IDT Corporation; along with Tamar Finn of Swidler Berlin LLP, and Harold Furchtgott-Roth, of Furchtgott-Roth Economic Enterprises, met yesterday with John Giusti, Legal Advisor to Commissioner Copps, to discuss IDT Telecom, Inc.'s ("IDT's") views concerning the above-referenced docket. IDT discussed the points outlined in the attached handout.

This notice is being filed electronically in accordance with Commission rules in the above-referenced proceeding.

Sincerely,

/electronically signed/

Tamar E. Finn
Attorney for IDT Telecom, Inc.

cc: John Giusti
Ely Tendler

IDT Corporation

Ex Parte Presentation

WC Docket Nos. 96-45, 01-92,
05-68

January 17, 2006

About IDT

- IDT Corporation is a \$2.4 billion company that provides a variety of communications, entertainment and media services.
- IDT is headquartered in Newark, New Jersey and is led by CEO Jim Courter, a former Member of Congress.
- IDT provides prepaid calling cards in the U.S. and in other countries, as well as local and long distance phone services, wholesale carrier's carrier services, and a variety of other services.

IDT History

- 1990 – IDT founded by Howard Jonas as a provider of discounted international reorigination (callback) services. Initial customers were small businesses and consumers with family overseas.
- 1993 – IDT begins offering Consumer Long Distance and International calling.
- 1995 – IDT begins Wholesale (Carrier) division, trading traffic with large IXCs and PTTs.
- 1996 – IDT's IPO on the NASDAQ National Market.
- 1997 – IDT begins selling pre-paid calling cards, serving primarily recent-immigrant users.
- 2001 – IDT acquires assets of Winstar.
- 2004 – IDT ranked #3 behind AT&T and MCI in international voice minutes.

USF Reform

- IDT supports reform of USF and other contribution systems (TRS, LNP, NANPA)
- Current system is broken
 - Bundled service packages make it difficult to distinguish intra/interstate services, telecom/information services
 - Prepaid calling cards are singled out by face value rule to pay higher effective USF contribution rate
 - Limited International Revenue Exemption (“LIRE”) (currently 12%) applies only to USF (not other funds)
 - Should be expanded to other funds and FCC regulatory fees
 - Should be increased to account for higher contribution rates
 - Revenue reporting rules conflict with accounting rules

USF Reform (cont'd)

- IDT supports numbers-based contribution methodology
 - Reporting should be streamlined for all funds
 - Based on working telephone numbers and non-switched, high-speed, dedicated connections
 - No revenue carve-outs (either minimum contribution or service specific)

USF Reform (cont'd)

- Change in enhanced prepaid calling cards' contribution obligations (if any) should be coordinated with broader reform of contribution rules
 - Changing the rules twice in a short time would impose unnecessary costs on consumers and cause market disruption
 - As with DSL, FCC could postpone effective date of any change in prepaid calling cards' contribution obligation for a certain number of months, unless USF contribution reform takes effect sooner

USF Reform (cont'd)

- Prepaid calling cards already bear a higher contribution burden than post-paid services
 - Most prepaid calling card providers only receive a percentage of the face value in revenue, e.g., 70%, making the effective USF rate higher than the current LIRE level (for example, on a \$10 face value card, \$1.10 out of \$7.00 is effectively 15.7%)
 - Because prepaid calling card revenues are largely international, increasing LIRE will benefit the low income and immigrant consumers who would otherwise be hit with a higher effective USF contribution rate

USF Reform (cont'd)

- If FCC expands prepaid calling card contribution obligations now, it should also increase LIRE
 - In 2002, FCC increased LIRE to 12% based on projected USF rate above 8%
 - Recent estimates show USF rate may soon exceed 13%
 - FCC should increase LIRE to 15% for calendar year 2006 revenues
 - LIRE should apply to all funds and reg fees

Prepaid “Hybrid” Information Services

- Some prepaid calling cards offer consumer ability to select from a menu of information content (news, sports scores, weather, voice mail, e-mail)
- Like Internet access, consumer has capability of accessing bona fide information service with every call
 - Consumer may use both services during same call session
 - Prepaid calling cards are marketed and perceived by consumers as single service
- FCC precedent classifies hybrid telecom/information services as information services
- At a minimum, if provider can distinguish between phone calls and access to stored information, later must be classified as information service

A “Level Playing Field” Exists

- AT&T’s level playing field arguments are not credible—
 - Declaratory Ruling only affects “advertising” cards, and affects all such cards equally regardless of the provider
 - AT&T has the same ability as any other company to offer a bona fide information service—and already does
 - FCC shouldn’t change its treatment of bona fide information services because of past problems caused by an entirely different service

Access Issues

- AT&T's 18-part certification proposal is overly regulatory and burdensome
- PIU/traffic identification issues not unique to prepaid calling cards are better addressed in comprehensive dockets
 - PIU rules in this docket serve no purpose but to add regulatory burdens to one segment of industry and to create an artificial sense of having addressed an issue
- Prepaid calling card calls that end at platform should be rated based on location of platform and treated as information services
- Because industry data shows less than 10% of prepaid calling card calls are intrastate, default prepaid calling card PIU of 50% proposed by AT&T is arbitrary penalty

Implementation Issues

- If rules are changed, effective date should be postponed to allow repricing of prepaid calling cards
 - Prepaid calling cards already in the stream of commerce have been priced based on current contribution and access rules.
 - Because these cards have been sold to distributors (and sub-distributors, etc.) they cannot be recalled or repriced.
 - The Commission has built in a "grace period" beyond the effective date of regulations in comparable cases (e.g., payphone compensation, access charge reforms) and should, at a minimum, do so here.